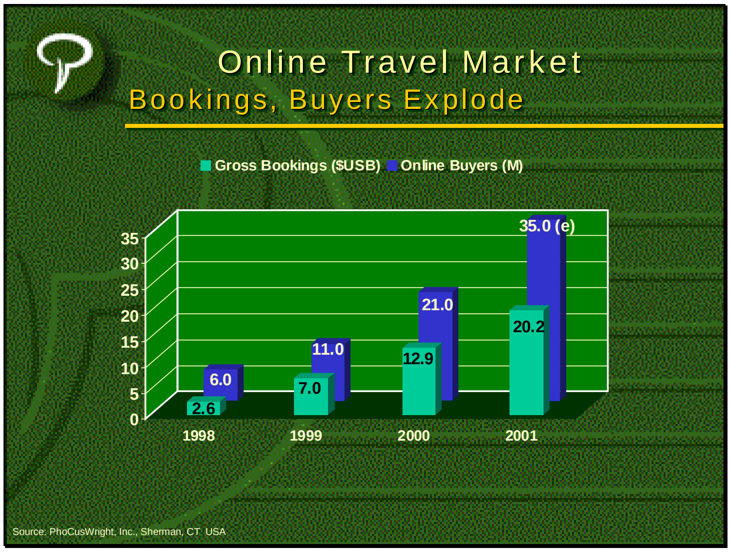
Slide 1


FAA Commercial Aviation
Forecast Conference
E-Commerce And Its Impact On
Future Aviation Demand
March 13, 2001
Lorraine Sileo
Vice President,
Information Services
PhoCusWright Inc.
www.phocuswright.com
www.webtravelnews.com

Slide 2



This chart shows both the tracking growth of online travel gross bookings (on bottom) and number of online buyers (top row).

Out of 48 million online travelers, there are 21 million online travel buyers. That's about three in ten – so in the airport at any given time, three in 10 people bought their tickets online.

The growth is exponential. It's a combination of the same people buying more AND new people buying online everyday.

We speak all over and the questions are the same: tell me the demographic of the online travel. Well, I answered, what is the demo of the Swiss traveler? Some speak French, or German, or Italian. Can't make sweeping assumptions….

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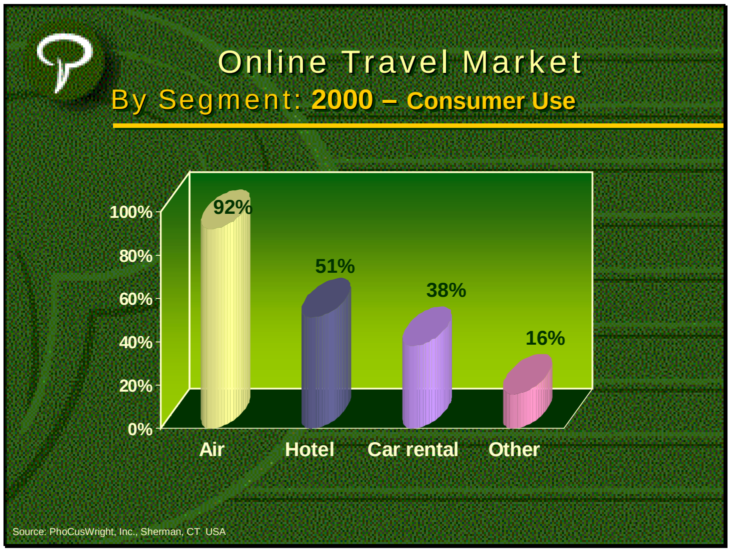
Slide 4



This shows what online buyers bought – for about every two airline bookings they make one hotel booking.

As a matter of fact, hotels is the fastest growing segment, from 39% reserving a hotel room last year to 51% this year.

So as we see the consumer is moving first from air, then to hotels….

But both are still commodities.

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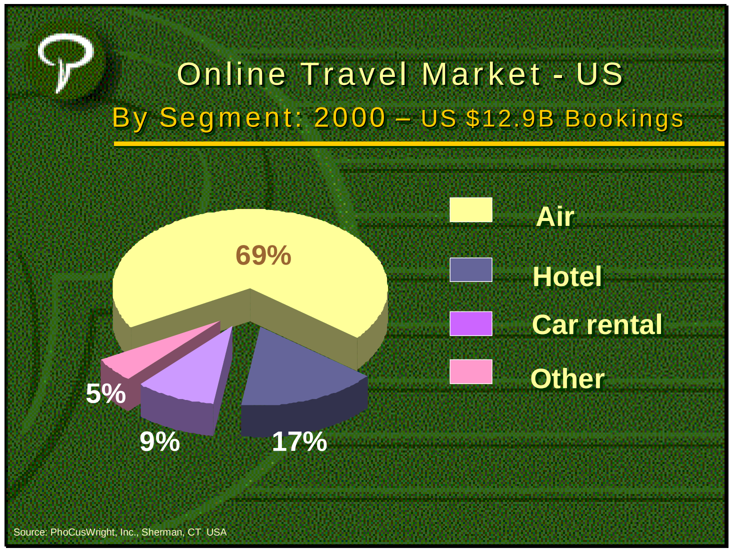
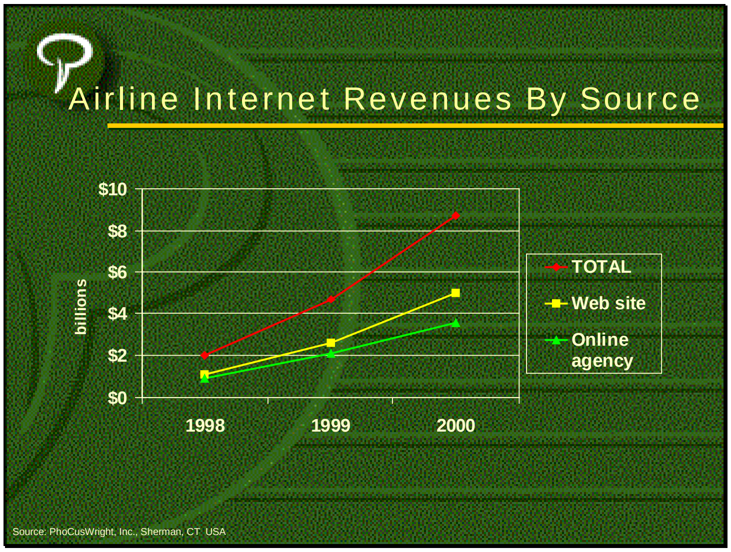


The problem, though, is that’s it’s still all air. Unprofitable air.

Is online travel just another ticket mill?

Slide 6



Bookings through their Web sites are growing faster than bookings through online travel agencies. In 2000, 58% booked on Web site.

Their incentives include: savings (SW online booking is $1, compared to $10 for a travel agency booking), customer relationship building, selling distressed inventory, and branding and building market share.

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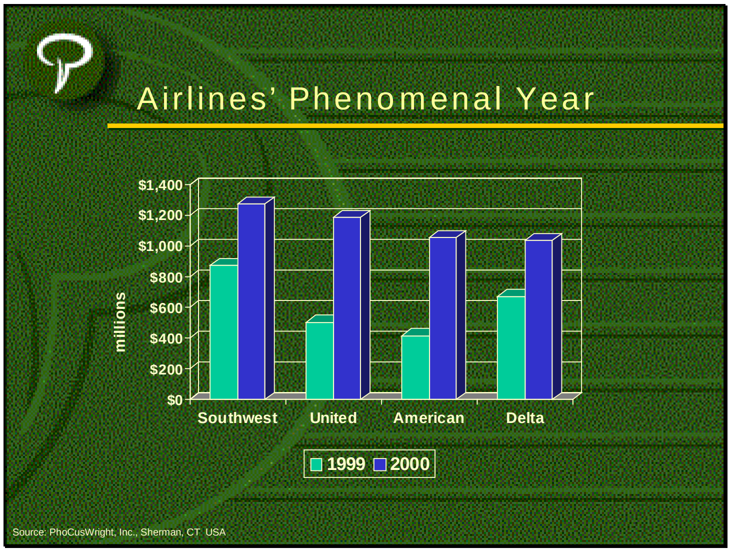
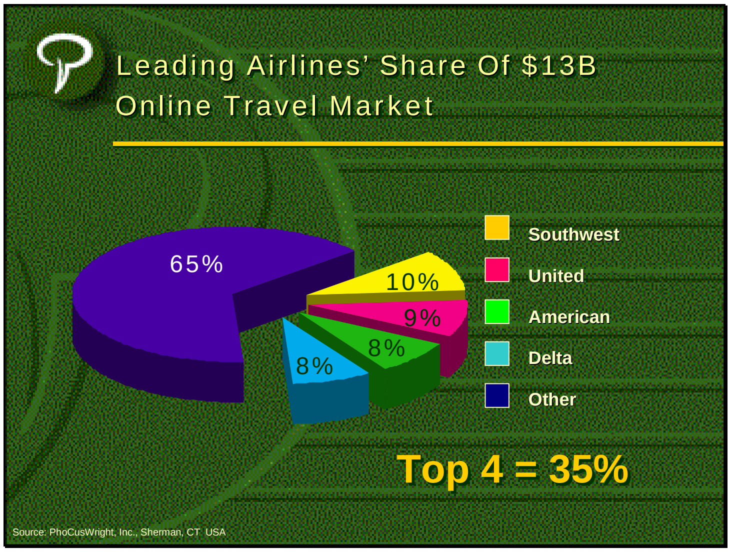


These four airlines will all book over $1 billion this year. They are the four largest, two (United, American) will more than double.

Slide 8

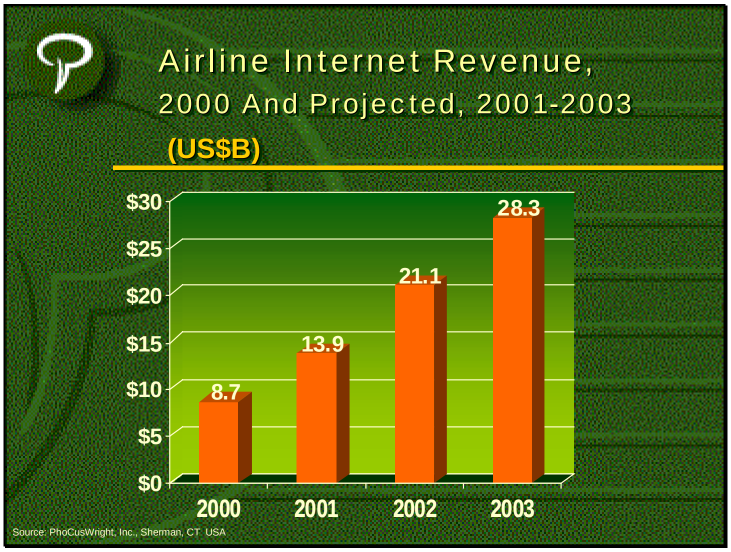


Consolidation means the market is dominated by a handful of players.

Now guess what the top 20 represent in terms of percentage?

ADVANCE SLIDE….

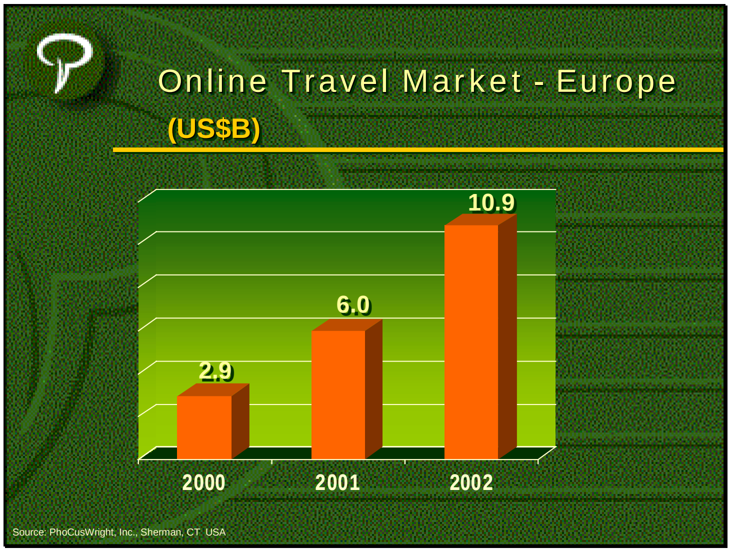
Slide 9



PhoCusWright just completed its European study, where we found that $2.9 billion was bought online in 2000 – we project that to double to $6 billion in 2001.

(It’s true that the European market is about two years behind U.S.)

Slide 10



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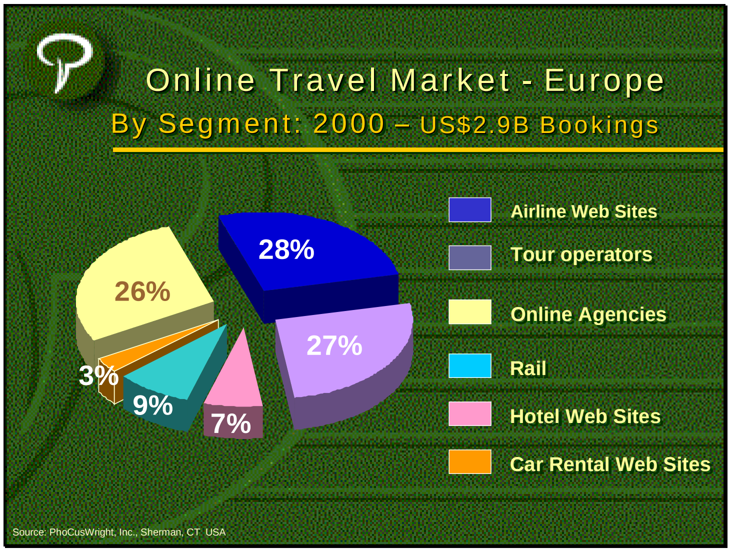

Air, tour operators (many which sell air) and online agencies (about 65% air) each have a similar share of the market.

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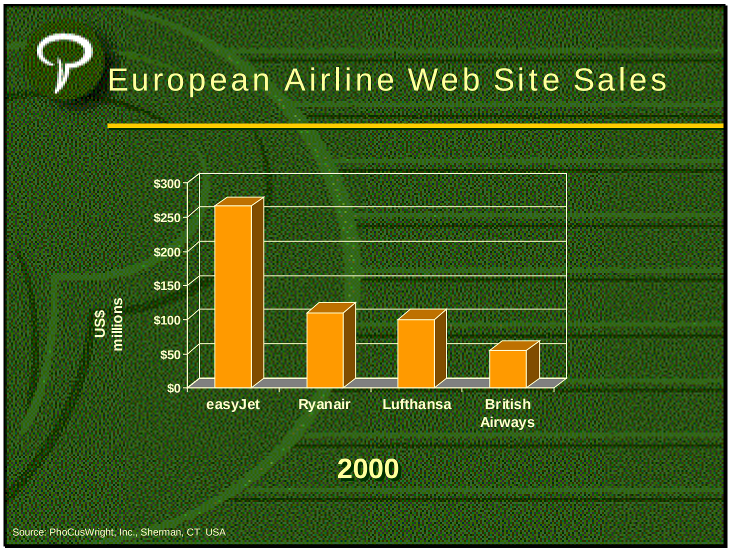

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Slide 13

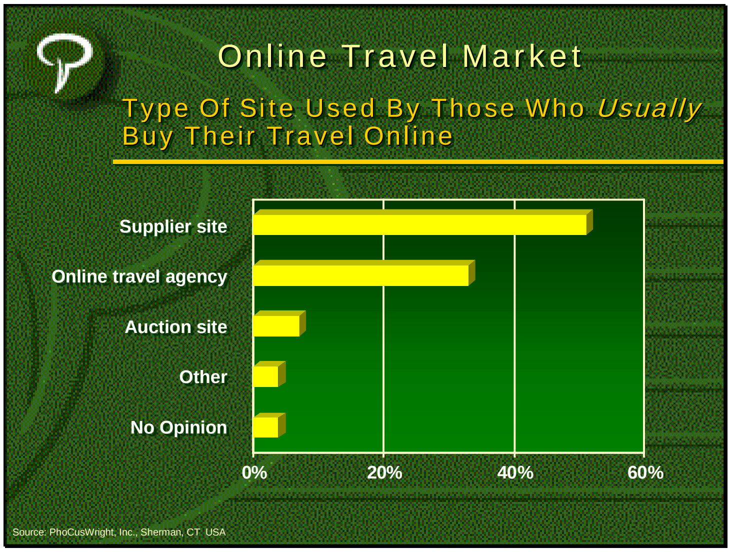
Price is the number one reason consumers pick a site to buy travel.

Slide 14

Online agencies win the price wars.

Traditional agents lose – consumers think they get in the way of a good price.

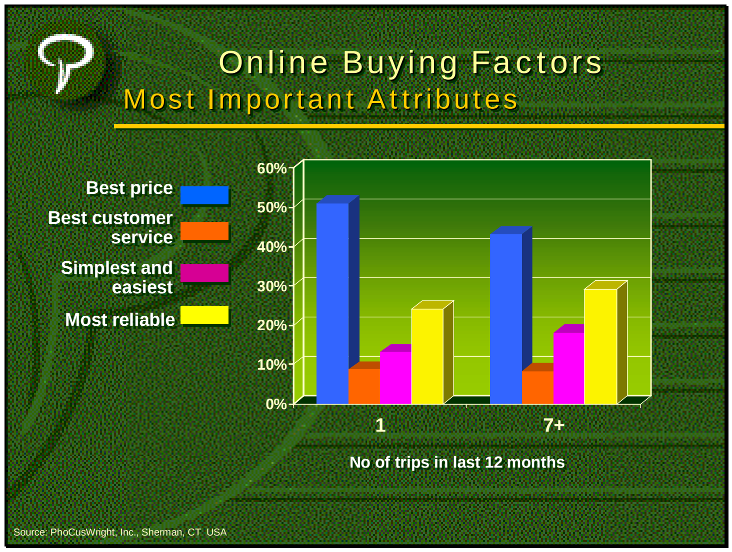
Slide 15



Here’s looking at it from the consumers’ point of view. Of those who usually buy travel online, more than half use a supplier site.

Supplier sites get most repeat usage.

Slide 16



Differences among 1 time traveler and frequent traveler (7+ trips per year)

They are least likely to worrry about privacy.

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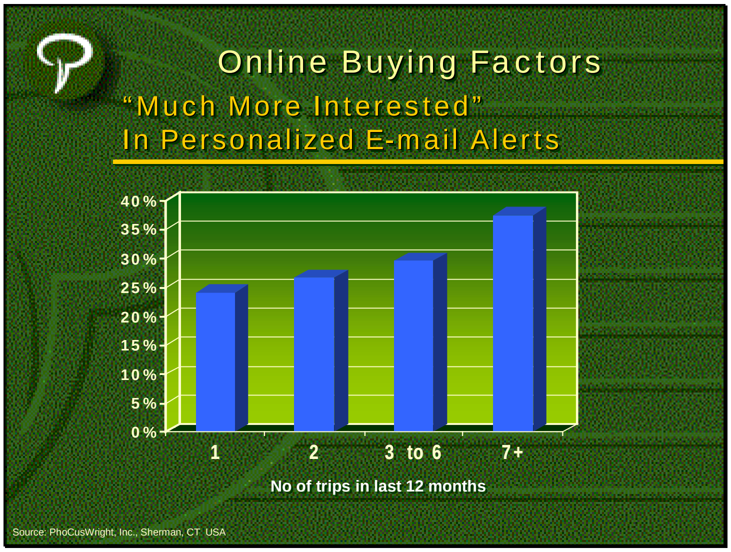

Frequent travelers are more interested in "touch points" like personalized e-mail alerts.

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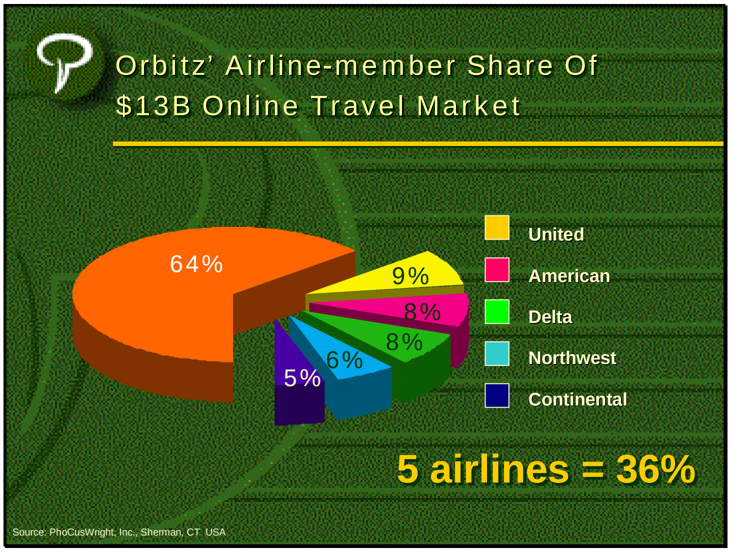
Slide 19


On Orbitz etc.
ORBITZ
AmericanAirlines
Continental Airlines
Delta
UNITED

Slide 20



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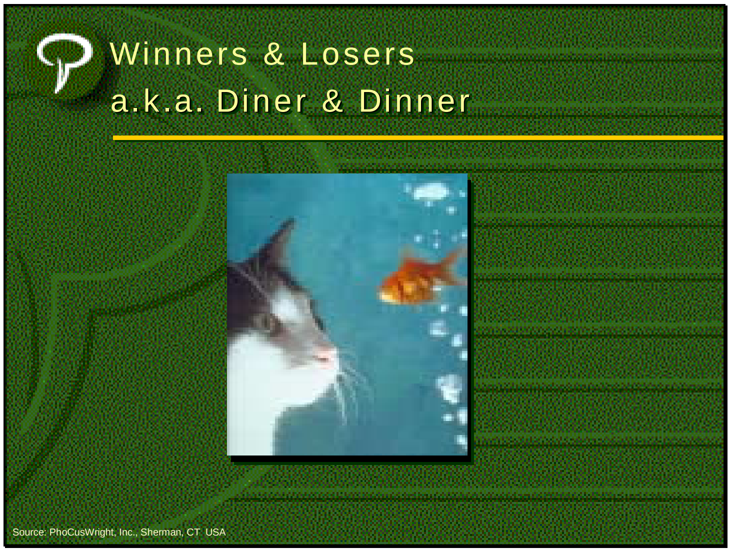

This is a story about winners and losers.

Before slide: This is a pithy research report on the promise, the players, the positions and the people.

Advance to slide:

THIS IS A LIVE GUIDE TO HELP COMPANIES BECOME "DINER, NOT DINNER"

Slide 22


Keep In Touch
The Presentation Is Available From
PhoCusWright, Inc.
1 Route 37 East, Suite 200
Sherman, CT 06784-1430 USA
lsileo@phocuswright.com
+1 860 350 4084
www.phocuswright.com
Thank You!